



City of Long Beach

CITY COUNCIL BUDGET WORKSHOP

March 16, 2004

Budget Workshop Agenda

- Overview of State Budget Situation (Bob Torrez)
- Three-Year Financial Strategic Plan Efforts (Suzanne Mason)
- Budget Evaluation Process for FY 05 Budget Preparation (Mike Killebrew)
- City Council Goals for FY 05 Budget (Jerry Miller)



Overview of State Budget Situation

Bob Torrez
Chief Financial Officer

Review of State Actions to Date

- June 2003 – State Controller Withholds One Third of VLF Backfill for the Month of June
- July 2003 – State Triples VLF and Eliminates Backfill to Local Government Entirely
 - ✓ Due to DMV delays in sending billing statements with higher fees to vehicle owners, Long Beach loses \$5.5 million
- July 2003 – State Adopts Budget Which Includes the “Triple Flip”

Triple Flip

- Local Government Loses $\frac{1}{2}$ (50 percent) of Its Sales Tax to the State
 - ✓ $\frac{1}{2}$ cent of local 1 cent tax
- Local Government to be Reimbursed With ERAF (Educational Revenue Augmentation Fund) Property Taxes Shifted From Schools
- Schools to be Reimbursed From State General Fund
- State to Issue \$10.7 Billion Fiscal Recovery Bonds (FRBs) to Be Repaid Over 5 to 7 Years With the $\frac{1}{2}$ Cent Sales Tax Taken From Cities and Counties

Recent Developments

- November 2003 - Newly Elected Governor Schwarzenegger Repeals the Increase in the VLF
- December 2003 - VLF Backfill Restored
 - ✓ Long Beach still short approx. \$800,000 for October 2003 VLF payment
- Governor Proposes \$15 Billion Economic Recovery Bonds (ERBs) to Be Approved by Voters in March 2004
 - ✓ ERBs to be repaid over 20-30 years with ¼ cent sales tax taken from cities and counties

Recent Developments (continued)

- Governor Proposes to Permanently Shift \$1.3 Billion in Property Taxes from Local Government (A New ERAF Shift)
 - ✓ City already losing \$14 million each year to ERAF, since 1992
- Governor Proposes Other Program Reductions
- March 2004 – Voters Approve \$15 Billion ERBs (Prop. 57)
 - ✓ Weak cap on State budget growth also approved (Prop. 58)

Impacts on Long Beach

- Triple Flip/Economic Recovery Bonds
 - ✓ Loss of $\frac{1}{4}$ (25 percent) of monthly sales taxes beginning July 1, 2004
 - ✓ Reimbursement for sales tax loss with property tax revenue, in January, May and August beginning in 2005
 - ✓ Due to timing of reimbursement, City will lose \$2.8 million in FY 04 sales tax revenue
 - ✓ City will be made whole when ERBs are paid off (20-30 years)
 - ✓ Annual cash flows will change, affecting earnings and requiring some restructuring of investment portfolio

“Triple-Flip” Projected Losses in FY 04

City of Long Beach Estimated Sales Tax Revenue

	Jun-04	Jul-04	Aug-04	Sep-04	Total
Pre-Triple Flip	\$ 3,952,253	\$ 2,972,973	\$ 3,911,509	\$ 4,346,963	\$ 15,183,698
With Triple Flip	3,952,253	2,229,730	2,933,632	3,260,222	12,375,837
Variance	\$ -	(\$743,243)	(\$977,877)	(\$1,086,741)	(\$2,807,861)

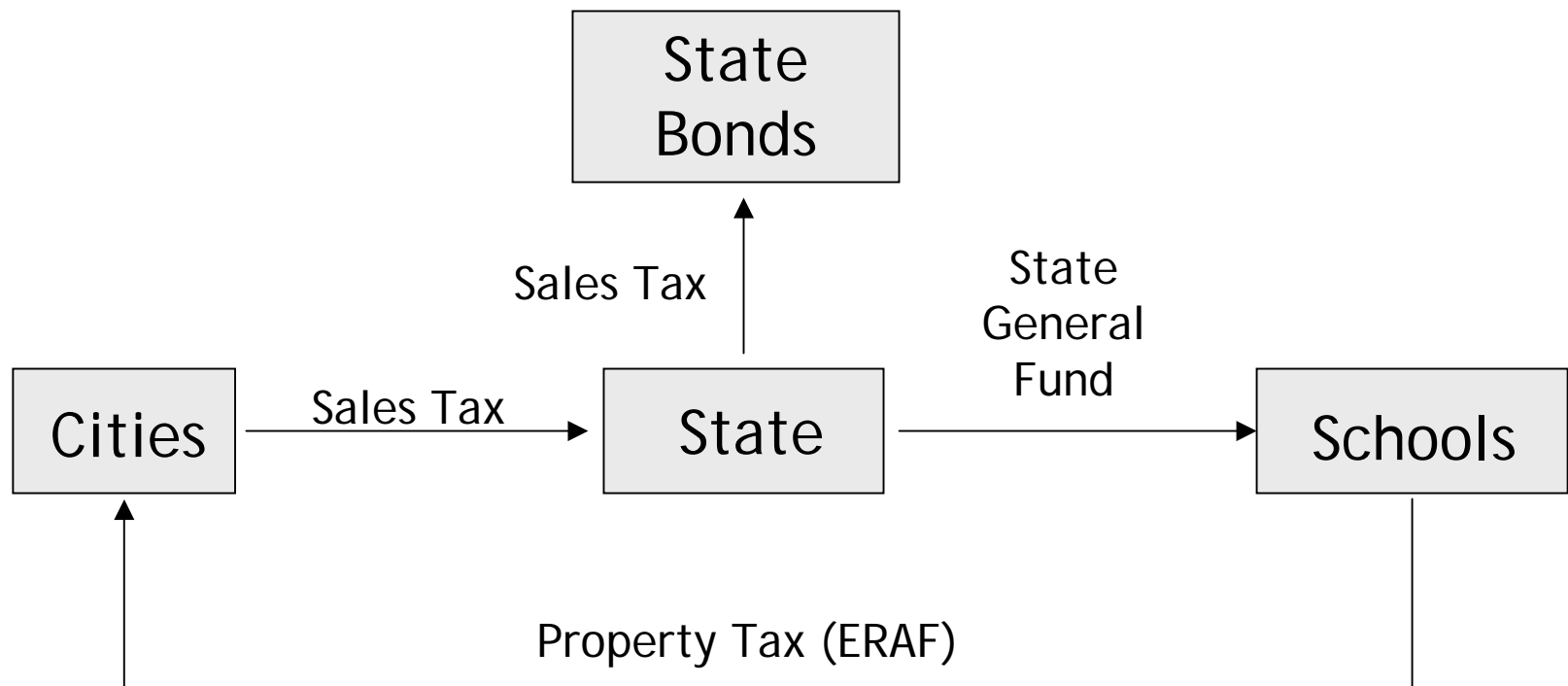
Impacts on Long Beach (continued)

- Governor's Proposed FY 05 Budget (Potential Losses)
 - ✓ \$5.5 million +/- ERAF Shift General Fund
 - ✓ \$1.3 million – ERAF Shift Redevelopment
 - ✓ \$1 million - Traffic Congestion Relief
 - ✓ \$345,000 - CalWorks Summer Youth
 - ✓ \$280,000 – Health Department Programs
 - ✓ \$250,000 – Medi-Cal Reimbursement Rates
 - ✓ \$40,000 – Booking Fees
 - ✓ \$20,000 – Healthy Families Insurance Program
 - ✓ \$8.7 million – Total Potential Losses

Local Taxpayers and Public Safety Protection Act

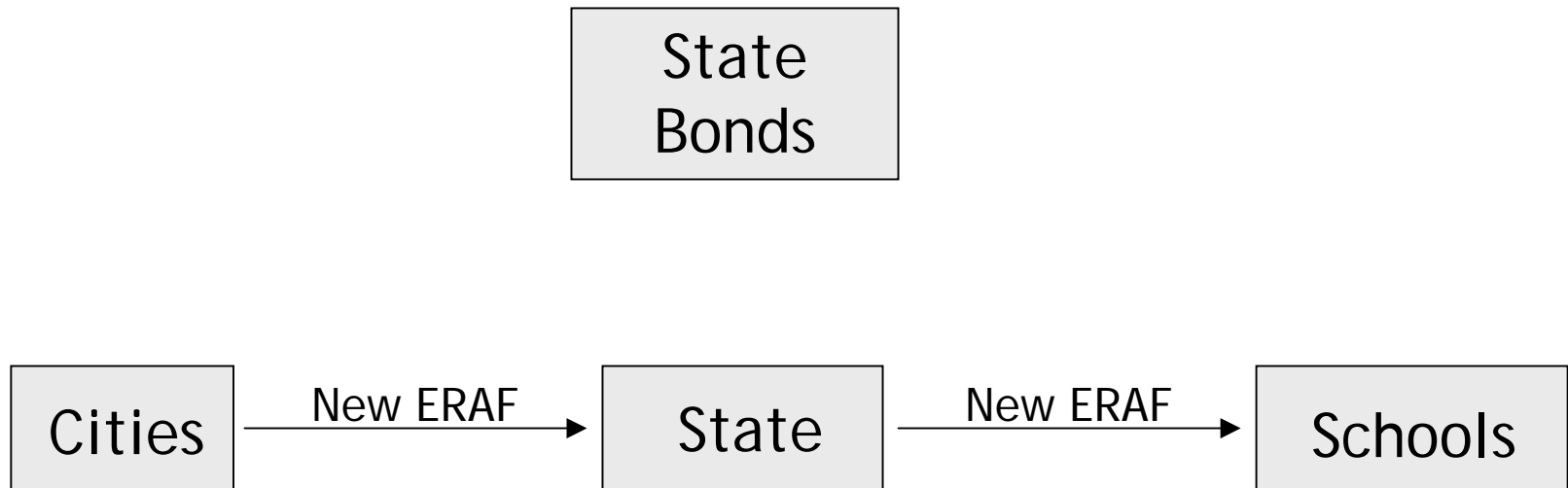
- Sponsored by the League of California Cities
- Protects the Revenue and Services of All Local Governments
- Requires Voter Approval Before State Can Take Local Revenue
- Guarantees Reimbursements for State Mandated Programs/Services
- Retroactive to November 1, 2003

The “Triple Flip”



25 percent loss of Sales Tax beginning July 1, 2004, reimbursed with School's ERAF beginning Jan. 2005 (\$2.8 million cash loss to General Fund in FY 04)

The New ERAF



Result: \$5.5 million Permanent Loss of Property Tax Revenue from the General Fund

Cities and Counties are Paying for State Bonds





Three-Year Financial Strategic Plan Efforts

Suzanne Mason
Deputy City Manager

Three-Year Financial Strategic Plan Efforts

- Department Reengineering Efforts
- Outside Optimization Studies
- Partnering Opportunities Explored
- Workforce Partnering Efforts
- Contracting Evaluation Process
- Preliminary Contracting Reviews
- Other Potential Areas for Review/Optimization
- Revenue and Resource Development

Department Reengineering Efforts

- Reorganized HR Department and Consolidated Directors of Oil Properties and Long Beach Energy to Eliminate Senior Management Positions
- Increased Service and Productivity through Utility Payments Website in Financial Management
- Eliminated Redundancies Through Review of Internal Approval Processes in Parks, Recreation & Marine
- Expanded Reach of CERT Program Through Use of Community Volunteers for "Train the Trainer" Strategy in Fire Department
- Eliminated the Public Service Bureau of Public Works Department
- Created of Gangs and Violent Crimes Division in Police Department to Focus the Organization
- Elimination of Special Projects Division in Community Development

Outside Optimization Studies

- Workers' Compensation
- Code Enforcement
- Compensation and Staffing
- Fire Services
- Emergency Dispatch
- Fleet

Partnering Opportunities

- Long Beach Unified School District
- Water/Harbor Partnering
- Other Government Agencies
- Nonprofit Community

Workforce Partnering Efforts

- Contracting Evaluation Process
- Employee Transition
- Innovation Team
- Voluntary Furlough Program

Contracting Evaluation Process

- Landscape and Street Median Maintenance
- Custodial Services
- Reprographic and Mail/Messenger Services

Contracting Evaluation Process

Identify Potential Contracting-Out Opportunities

Opportunities will be identified based on prior contracting experience and/or the findings of preliminary evaluations.



Management and Employees Develop Scope of Work and Performance Expectations

(Preparation of Contract Specifications)



Identify City Costs

Costs for specified service levels identified.



Employee Work Process Review

Employees will work to develop service delivery alternatives, or efficiencies, that achieve cost savings and meet performance expectations, with the assistance of an outside specialist.



Initiate Bid Process



Analyze Bids and Certify Contractor



City Auditor Review



Most Cost Effective Service Delivery Method is Recommended

(In accordance with Proposition "L".)

Preliminary Contracting Reviews

- Billing and Collection Functions
- Parking Enforcement
- Street Sweeping Operations
- Towing Operations
- Helicopter Maintenance
- Business License Processing
- Information Technology

Examples of Other Potential Areas for Review/Optimization

- Further Contracting of Custodial Services
- Tree Trimming
- Structural Services
- Civic Center Maintenance
- Traffic Signals
- Payroll Systems
- Surveying Services
- Meter Reading
- Marketing Functions

Revenue and Resource Development

- Capital Budget Options/Issues
- Citywide User Fee/Cost Recovery
- Community Arts Funding Strategy
- Library Funding Options
- Maximizing Alternative Funding Options



Budget Evaluation Process for FY 05 Budget Preparation

Mike Killebrew
Assistant City Controller

Budget Evaluation Process Overview

- FY 05 Budget Will Be the Most Difficult
- Focus Remains to Solve the General Fund Structural Deficit (\$63 million in FY 05)
- Goal of Generating \$12 million of Carry-over Fund Balance into FY 05
- Process is Open and Inclusive, Decisions Will Reflect Community Priorities
- Continued Implementation of Program Budgeting and Performance Measurement

Communication

- 35 Budget Overview Presentations to Community and Neighborhood Groups
- “Budget 101” Seminar
- Employee Involvement and Outreach Activities
- Monthly Performance Reports
- City Council/Budget Oversight Committee
Budget Workshops
- Future Citywide Budget Summit
- Statistically Reliable and Voice Your Choice II Surveys

Statistically Reliable Survey

- Retain Professional Survey Firm
- Method of Survey TBD
- Validate the Direction of the Three-Year Plan
- Commence Survey End of March
- Results Will Be Published and Utilized in Formulating FY 05 Budget

Executive Management Team Deliberations

- City Manager Directions to Departments:
 - ✓ Continued Hiring Freeze and Spending Curtailment
 - ✓ Submit 50 percent of current vacancies for elimination in FY 04
 - ✓ Submit additional management positions for elimination in FY 04
 - ✓ Submit FY 05/06 Plan scenarios for acceleration into FY 04
 - ✓ Review All Three-Year Plan FY05 scenarios
 - ✓ Submit additional FY 05 deficit reduction options
 - ✓ Prioritize options using City Council and City Manager goals, and Voice Your Choice Survey results as a guide
 - ✓ Generate \$12 million of carry-over fund balance into FY 05

Program Budgeting/Performance Measurement

- Efforts Initiated in FY 04 to Identify Programs and Business Plan Goals
- FY 05 Effort to Validate Existing Financial Structure for Programs
- Identify Outcome Measures for Business Plan Goals
- Continue to Integrate Program Budget and Performance Measurement Information into Budget and Financial Reporting



City Council's Goals for the FY 05 Budget

Jerry Miller
City Manager

City Council's Goals for FY 2005 – DRAFT

- Further Reduce Crime, Particularly Violent Crime
- Enhance Neighborhood Economic Development Efforts
- Improve Environmental Conditions in the City of Long Beach
- Improve the Quality of Life in the Neighborhoods

City Council's Goals for FY 2005 - DRAFT (continued)

- Expand the Community's Involvement in the Workings of Long Beach Government
- Promote Workforce and Business Development Efforts So As to Create New Jobs; Ensure Long Beach Becomes More Business Friendly
- Support Programs That Encourage the Public's Health and Well Being
- Promote Quality Housing Development; Improve Home Ownership Opportunities for Long Beach Residents

Len Wood's Recommendations

- "Broad City Council goals establish the priorities and direction for the entire City organization."
- "The management staff needs to know what the consensus goals of the governing board are in order to allocate resources and implement programs."
- "Goals should be expressed in written form and should reflect stakeholder concerns, needs and priorities as well as factors affecting the community and City organization."
- "Goals should be disseminated to the community."